RAJYA SABHA

Thursday, the 30th April, 1987/
10 Vaisakha, 1909 (Saka)

The House met at eleven of the clock. **Mr. Chairman** in the Chair

ORAL ANSWERS TO QUESTIONS

Board for industrial and Financial Reconstruction

*221. SHRI GURUDAS DAS GUPTA:†
SHRI N. E. BALARAM:

Will the PRIME MINISTER be pleased to state:

(a) whether the Board for Industrial and Financial Reconstruction (BIFR) has been constituted; and

(b) if so, what are the details of the functions of the Board?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI JANARDHAN POOJARI): (a) and (b) A Statement is laid on the Table of the House.

Statement

(a) and (b) The Boad for Industrial and Financial Reconstruction (BIFR) has been set up by the Government of India with effect from 12th January, 1987. The Board will exercise the functions assigned to it under the provisions of the Sick Industrial Companies (Special Provisions) Act, 1985. The Board has, *inter-alia* been given powers to change management of the sick industrial company, amalgamation of the sick industrial company with any other industrial company, sale or lease of a part or whole of any industrial undertaking of the sick industrial company and such other preventive, ameliorative and remedial measures as may be considered appropriate.

SHRI GURUDAS DASGUPTA: Mr. Chairman, Sir, it appears that the Government has given the Board the power to change the management of the sick industrial undertakings when they come under the rehabilitation scheme. My point is on this issue. I would like to know whether this power is going to be used and if it is going to be used, in what direction. I am asking this because our experience has been, when a sick mill is taken over by the Government, the management that made the mill sick was allowed to continue. Loan was taken from the bank to modernise the machines; the machines were not modernised but the lifestyle of the management was modernised. If you kindly permit me, I would like to give an instance.

The Bengal Potteries of Calcutta was taken over. But the same Managing Director who made the undertaking sick continues to be there and the Government of India has poured about Rs. 60 crores even under his management. Therefore, the situation is likely to become very much dangerous if this power is not made use of by the Government. In this connection, I would like to refer to a survey conducted by the Reserve Bank of India which says that 95 per cent of sickness is due to mismanagement and manipulation. Therefore, I would like the Government to answer me categorically whether the Government is going to reconstitute the Board in the case of an undertaking coming under the scheme of rehabilitation. And in that Board, will the

† The question was actually asked on the floor of the House by Shri Gurudas Das Gupta.

corrupt people be kept out and strictly professionals and efficient people will be put on the Board and a constant...

MR. CHAIRMAN: You will have your second supplementary. Mr. Minister please.

SHRI JANARDHAN POOJARI: Sir, for the information of the hon. Member, I can say that the BIFR has got the power to change the management if it is found that the sickness was due to mismanagement and incompetence of the management.

MR. CHAIRMAN: You have not answered his question. He asked whether you would reconstitute the Board with experts and not only these people.

SHRI JANARDHAN POOJARI: This power is there. They can take over the management also.

MR. CHAIRMAN: When you take over an industry, you reconstitute the Board of Directors. In that, will you keep out those people against whom there are complaints? This is the question.

SHRI JANARDHAN POOJARI: If it is found they are guilty, the power is there with them.

SHRI GURUDAS DAS GUPTA: Always there is this 'if'. Anyway, I am not entering into a debate on this. Sir, recently, the Chairman of the BIFR said that they cannot take over all the sick undertakings because the resources are limited. Therefore, he spoke of deterrent action, preventive action. Mr. Chairman, Sir, as you know; sickness is alarmingly increasing and sickness has become the most lucrative for the industrialists in our country nowadays. Therefore, does the Government propose to incorporate deterrent power in the management of the Board so that preventive action can be taken before a mill actually falls sick? I would also like to know whether constant monitoring will be done when a mill comes under the rehabilitation scheme.

SHRI JANARDHAN POOJARI: Sir, the promoters of the company are responsible. Further, their performance is also watched. When there is an erosion in the net worth by 50 per cent, it is obligatory on the part of the company to report the fact to the BIFR and also to the general body of the shareholders. And they have to come before the shareholders bringing to their notice the erosion of the net worth and giving plans for revival of the company. This is the action contemplated under the provisions.

SHRI K. MOHANAN: The question was regarding deterrent action.

SHRI GURUDAS DAS GUPTA: Sir, I seek your kind protection.

MR. CHAIRMAN: I will give you another opportunity to put the question. That is the protection I am giving you.

SHRI GURUDAS DAS GUPTA: With my gratitude to you I put the question. It is not a matter of reporting whether 50 per cent assets have been eroded because on a number of occasions reports are never made and even if the reports are made, they are not studied. The point is whether a unit coming under the rehabilitation scheme will be under constant monitoring from the side of the Board. Does the Government contemplate to give the Board deterrent power so that preemptive action can be taken before a mill falls sick?

SHRI JANARDHAN POOJARI: I will come to your question later but before that I would like to say that when a unit falls sick, within sixty days it has to be reported to BIFR and also it should have been registered for a minimum period of 7 years under the Companies Act.

Now, when it is reported, whether they should be managed and monitored, for that purpose there are criteria. The one is that the company should have been registered for minimum of seven years. Then, for the last two succeeding years it should have suffered a cash loss. Thirdly, its accummulated loss should have been equivalent to its networth. Before sickness of the unit there is no monitoring by BIFR. After it is reported that it has become sick, action follows. Then the units will come within the purview of the BIFR and action will be taken for giving the package of schemes.

SHRI N. E. BALARAM: From the paper reports I find that rules have not been framed for the functioning of this BIFR. I do not know whether it is a fact or not. Now this body is functioning on the basis of the Sick Industrial Companies Act. It has not got independent rules and if that is so, why there is so much delay I want to know. Secondly, if the rules are framed, I would like to know, how many managements of sick industries have been removed? There are a number of sick industries nowadays in several parts of the country. How many managements of these units have been removed? There are many press reports that so many industries are sick because of the mismanagement or because of change in the management. So, what is it what you have done in this respect?

SHRI JANARDHAN POOJARI : BIFR will become operational from 15th May, 1987. By this time all the rules and regulations will be ready. On some of the issues rules were framed and placed before the House also.

Regarding the number of sick industries, 637 units in the large-scale industry have become sick and a sum of Rs. 2980 crores is locked up. About the medium industry, 1186 units have become sick and a sum of Rs. 220.62 crores is locked up.

MR. CHAIRMAN: How many managements have been removed?

SHRI JANARDHAN POOJARI : About that I have already said that the BIFR will become operational only after 15th May, 1987. The figure with regard to removal of the managements prior to this date is not available wth me.

SHRI JAGESH DESAI: Mr. Chairman, Sir, the Government has made it clear crystal that henceforth they will not take over any sick units. But one of the reasons of becoming sick is that they siphon the finance of some other industries of the same group where there is high margin of profit. I would like to know from the hon. Minister whether ,in case of a sick unit which belongs to a particular group of MRTP companies the Government will instruct that if such a company becomes sick, it will be amalgamated with the same group of MRTP companies. I would like to have a straight answer from the Minister.

SHRI JANARDHAN POOJARI: When a unit becomes sick, the sick company will be amalgamated or merged with a healthy company and when amalgamation or modernisation or expansion is going to take place, then no reference is to be made to MRTP Act and without referring to it, it can be amalgamated.

SHRI RAJNI RANJAN SAHU: BIFR has been set up by the Government of India on January 12, 1987, to function under the provisions of the Sick Industrial Companies Act, 1985. Just now the hon. Minister has talked about the criteria of sickness. I would like to know from the hon. Minister how many cases of industrial sickness have been received by the BIFR and whether any time limit has been fixed to dispose off cases of sickness by the Board? And part (b) of my question is, how many have been disposed off by this time?

SHRI JANARDHAN POOJARI: Sir, the Board will become operational from 15th May, 1987. There is no question of disposal arising now.

SHRI NIRMAL CHATTERJEE: Sir, the Board will become operational from 15th May, but between 12th January and today, are there any cases which have been referred to BIFR in terms of diminution of assets to the extent of 50 per cent and other criteria? If so, how many cases are there?

SHRI JANARDHAN POOJARI: Sir, it is going to become operational from 15th of May and particularly it will entertain applications only after 15th of May, 1987

SHRI NIRMAL CHATTERJEE: They have not started acting. But how many cases have come up to its notice? It has not acted and it cannot act. That I understand.

MR. CHAIRMAN: Nothing has come to their notice. It will come only after 15th of May.

SHRI BIR BHADRA PRATAP SINGH: Sir, about amalgamation there is a confusion which has not been cleared by the hon. Minister, because the condition is widely-worded: it says "any other industrial companies." The question put by Mr. Jagesh Desai was nearer to this. If a person has two companies and one of these becomes sick and the other is healthy, amalgamation is good. But why do you burden other healthy industries by tagging on the sick company to these?

SHRI JANARDHAN POOJARI: Sir, I have cleared it. It will be amalgamated with the different companies, not with the same companies with the same management.

SHRI VITHALBHAI MOTIRAM PATEL: Sir, there are a number of sick units which are taken over by the Government which are absolutely unviable. I would like to know whether the Board will have the power to scrap such units which are not viable at all.

SHRI JANARDHAN POOJARI: Sri, BIFR will look into all the aspects. When it comes to the conclusion that a unit has become sick because of mismanagement, definitely, as I have stated earlier, action will be taken against such management.

MR. CHAIRMAN: Shri Mohanan. No supplmentary. Next question No 222, Absent. Question No. 223.

*222. [*The questioner (Shri Subas Mohanty) was absent. For answer,* vide col.—infra].

Assistance for the Backward Areas of Uttar Pradesh

*223. SHRI SATYA PRAKASH MALAVIYA: Will the PRIME MINISTER be pleased to state:

(a) whether the Planning Commission have recently received proposals fom the Government of U.P. requesting for special assistance for the development of the backward areas of the State; and

(b) if so, what are the details thereof and what action has been taken by Government thereon?